South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

9 – 15 February 2016

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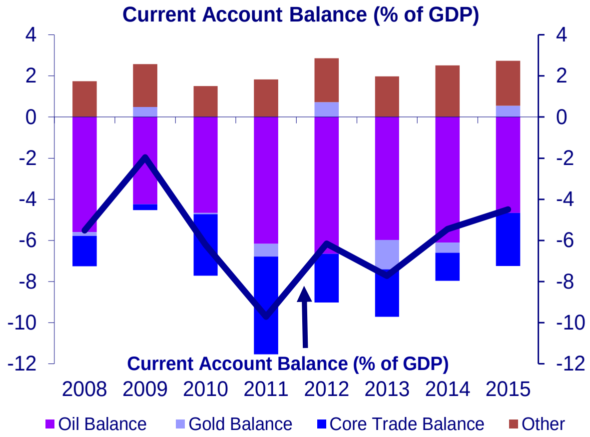
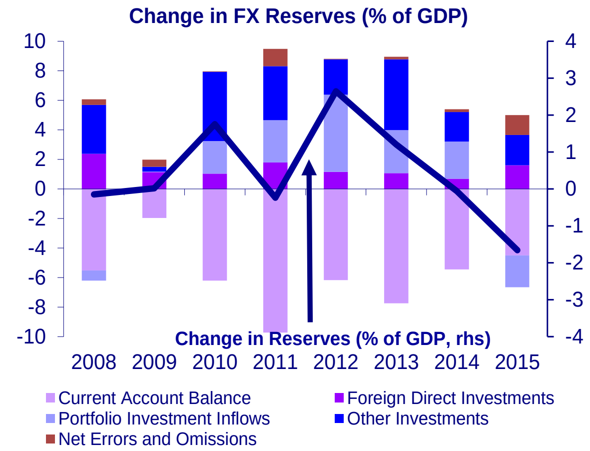
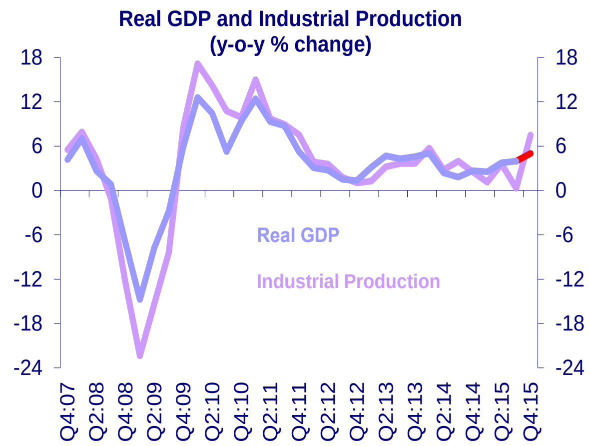
Turkey

BB+ / Baa3 / BBB- (S&P/ Moody's / Fitch)







	15 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.9	11.5	11.0	10.5
TRY/EUR	3.29	3.32	3.34	3.40
Sov. Spread (2019, bps)	354	290	240	170

	15 Feb.	1-W %	YTD %	2-Y %
ISE 100	71,008	-1.4	-3.0	9.4

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	4.2	2.9	3.8	3.0	3.6
Inflation (eop, %)	7.4	8.2	8.8	8.4	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.2	-5.0
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.5	-1.2

The current account deficit (CAD) eased to a 6-year low in 2015; however, the quality of its financing deteriorated significantly. The monthly CAD narrowed by 0.1 pp y-o-y (USD 1.6bn y-o-y) to 0.7% of GDP (USD 5.1bn) in December, bringing the FY:15 CAD to a 6-year low of 4.5% of GDP (USD 32.2bn) -- far below the downwardly-revised FY:14 outcome of 5.5% (USD 43.6bn). The adjustment in the CAD in 2015 (by 1.0 pp of GDP) reflects the improvement in the energy and gold balances (by 1.5 pps and 1.0 pp, respectively), which more than offset the deterioration in the core balance (by 1.5 pps). The latter was mainly driven by higher imports (by 0.8 pps of GDP), in line with stronger economic activity (real GDP growth is estimated to have accelerated to 3.8% in FY:15 from 2.9% in FY:14) and a decline in exports (by 0.4 pps of GDP), especially to Russia and the Middle East, due to the plunge in oil prices and heightening geopolitical tensions. The trade data is distorted by the recent depreciation of the currency (11.4% against the currency basket in FY:15 vs FY:14) which reduces exports in value terms and increase imports.

On the financing side, the capital and financial account (CFA) surplus narrowed sharply by 3.7 pps y-o-y (USD 30.8bn y-o-y) to a 6-year low of 1.5% of GDP (USD 10.7bn) in FY:15. The deterioration reflects: i) protracted political uncertainty, due to repeat elections in November following the inconclusive June general elections; ii) increasing security concerns, following the collapse of a 2-year ceasefire with the PKK militant group and the country's involvement in the war against ISIS; as well as iii) tighter global liquidity conditions ahead of the normalization of Fed interest rates in late-2015. Importantly, the poor CFA outcome in FY:15 was driven by large (net) portfolio outflows (USD 15.4bn against net inflows of USD 20.1bn in FY:14). Bank and non-bank company borrowing remained relatively resilient (their net borrowing stood at USD 15.7bn against USD 17.8bn in FY:14).

Worryingly, the quality of financing of the CAD deteriorated sharply in 2015. Indeed, a significant drawdown in FX reserves (USD 11.8bn) and large positive (net) errors and omissions (USD 9.8bn) covered 66.8% of the CAD in 2015 against 4.7% in 2014, albeit the latter may hide unreported exports.

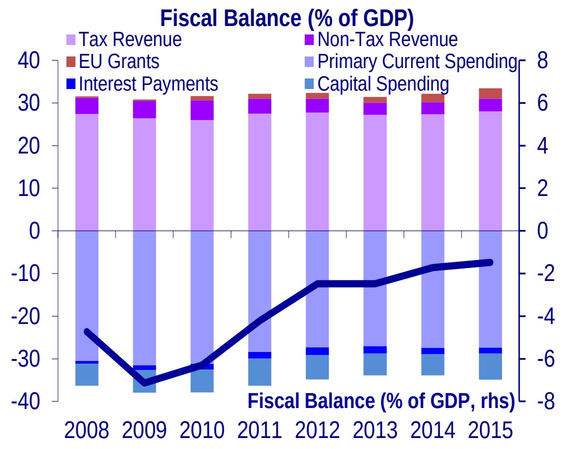
For 2016, we expect the external rebalancing to continue, albeit at a slower pace than in 2015. An improvement in the oil balance (by 1 pp of GDP) should be largely offset by a normalization in the gold balance (down 0.2 pps of GDP) and, to a larger extent, by a deterioration in the core balance. The latter should result from a milder decline in imports, following the 30% increase in the minimum wage from January 1st (expected to raise private consumption by 0.5-1.0 pp according to the IMF) and favourable oil prices, combined with a further weakening in exports, due to moderating global growth and persisting geopolitical tensions. This week's car bomb attack in central Ankara, which killed 28 people and injured 61, will worsen the tourism sector outlook, already hit hard by Russian sanctions following the downing of a Russian war jet in November. Overall, we see the CAD easing further to USD 29.8bn (4.2% of GDP) in 2016.

Industrial production (IP) surged in Q4:15, pointing to stronger-than-initially-estimated real GDP growth. IP growth reached a 16-quarter high of 7.5% y-o-y in Q4:15, exceeding consensus estimates and well above the 9M:15 outcome of 2.0% y-o-y. In view of this strong performance and a significant sequential improvement in most leading indicators (PMI, capacity utilisation rate and business confidence index), we revise our Q4:15 real GDP growth estimate from 3.4% y-o-y to a 7-quarter high of 5.0%. Should this estimate materialise and barring revisions to the previous quarters' outcome, FY:15 economic growth would stand at 3.8% -- up from 2.9% in FY:14.

Romania

BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2014 Outcome	2015 Outcome	2016 Budget	2016 NBG Forecast
Total Revenue	32.1	33.4	31.7	31.3
Tax Revenue	27.4	28.1	27.1	26.7
o/w PIT/CIT	5.4	5.8	5.6	5.5
VAT	7.6	8.2	7.2	7.1
Excise Duties	3.6	3.7	3.8	3.8
Soc. Sec. Contr.	8.6	8.2	8.5	8.3
Non-Tax Revenue	4.8	5.4	4.6	4.6
o/w EU grants	2.0	2.5	1.8	1.8
Total Expenditure	33.9	34.9	34.5	34.5
Current Spending	29.0	28.7	29.5	29.5
o/w Wages	7.6	7.5	7.8	7.9
Social Spending	10.7	10.9	10.9	11.0
Goods & Services	5.9	5.8	5.9	5.9
Subsidies	0.9	0.9	0.9	0.9
Interest Paym.	1.5	1.3	1.5	1.3
Capital Expend.	4.9	6.2	5.0	5.0
Fiscal Balance	-1.7	-1.5	-2.8	-3.2
Primary Balance	-0.2	-0.1	-1.3	-1.9



	15 Feb.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.5	1.2	1.5	1.8
RON/EUR	4.46	4.52	4.51	4.50
Sov. Spread (2024, bps)	224	210	180	150

	15 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,196	-2.0	-10.8	-3.9

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.7	4.5	3.4
Inflation (eop, %)	1.6	0.8	-0.9	0.0	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.5	-1.1	-1.9	-2.4
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.2	-2.5

The consolidated budget deficit narrowed to 1.5% of GDP in FY:15, overperforming compared with its target (1.9% of GDP) and the FY:14 outcome (1.7% of GDP). The main driver was tax revenue (up 0.7 pps of GDP y-o-y in FY:15). Specifically, despite the VAT cut on all food items and services in June (by 15 pps to 9%), VAT revenue surged in FY:15 (by 0.7 pps of GDP y-o-y), in line with the economic recovery (and possibly supported by lower VAT refunds), as did revenue from PIT/CIT (up 0.4 pps of GDP y-o-y). These factors more than offset the drop in revenue from social security contributions (SSC, down 0.4 pps of GDP y-o-y), following a 5 pp reduction in the rates for employers at end-2014. Note that the decline in revenue from SSC was smaller than initially expected, mainly due to improved tax compliance.

On the other side of the budget, primary current spending remained contained in FY:15 (down 0.1 pp of GDP y-o-y). Indeed, the hike in social transfers was broadly offset by lower public consumption and personnel expenses. The latter was significant in view of the broad-based 10% hike in public sector wages in December (mainly in the education and healthcare sectors -- up 25% as of October and 15% as of December, respectively). Interest payments also declined in FY:15 (by 0.2 pps of GDP y-o-y), due to the sharp decrease in debt yields, reflecting the NBR's monetary policy easing throughout 2015. At the same time, public investment rose sharply in FY:15 (by 1.3 pps of GDP y-o-y), in line, *inter alia*, with the better absorption of EU funds.

The budget deficit is set to widen significantly in FY:16, fuelled by aggressive tax cuts and a looser incomes policy. The FY:16 budget envisages a significantly looser fiscal stance, targeting a deficit of 2.8% of GDP. According to budget projections, tax revenue is set to decline significantly (by 1.0 pp of GDP against the FY:15 outcome), due to a series of tax cuts. The latter include: i) the reduction in the standard VAT rate by 4.0 pps to 20% from January 1st; ii) the reduction in the dividend tax rate by 9 pps to 5%; iii) an increase in personal tax deductions; and iv) tax incentives for small businesses to hire employees. Worryingly, however, the authorities appear to have overestimated the size of second-round effects of the tax cuts on consumption (the budget assumes a FY:16 nominal GDP growth of 6.0% compared with our forecast of 4.5%) and employment (the budget foresees a sizeable 3.5% increase in employment in FY:16 compared with our forecast of 2.0%). As a result, we see a shortfall of 0.4 pps of GDP with respect to the FY:16 tax revenue budget target.

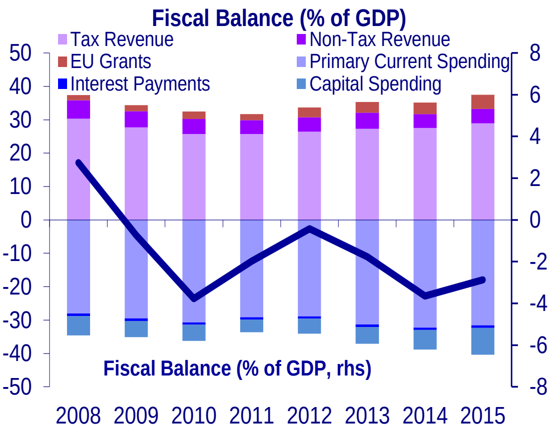
At the same time, current spending is projected to increase markedly in FY:16 (by 0.8 pps of GDP against the FY:15 outcome), mainly on the back of a looser incomes policy. Indeed, following the hike in public sector wages in late-2015, the authorities plan to proceed with additional targeted increases in wages in the broader public sector as well as with an (unbudgeted) hike in the minimum wage in May (by 19% to RON 1,250). At the same time, social benefits and allowances will be raised. Finally, low debt yields could lead to lower-than-budgeted interest expenses. It should also be noted that the budget envisages lower capital spending compared with FY:15, due to a slowdown in the implementation of EU-co-financed projects this year, when authorities forfeit EU funding allocated for use during the 2007-13 programming period.

Overall, unless corrective measures are adopted and/or the public investment programme under-executed, we see the budget deficit surpassing slightly the critical limit of 3.0% of GDP in FY:16 (3.2%), providing a fiscal impulse of 1.7 pps of GDP.

Bulgaria

BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2014 Outcome	2015 Outcome	2016 Budget	2016 NBG Forecast
Total Revenue	35.2	37.5	37.4	37.1
Tax Revenue	27.5	28.9	29.4	29.1
Non-Tax Rev.	4.1	4.3	5.1	5.1
Grants	3.5	4.2	2.9	2.9
Total Expenditure	38.8	40.3	39.4	39.5
Current Spending	33.0	32.4	32.5	32.6
o/w Wages	5.5	5.4	5.3	5.3
Goods & Services	5.7	5.2	5.4	5.4
Social & Health Insurance Contr.	1.7	1.7	1.6	1.7
Subsidies	1.9	1.9	1.6	1.6
Social Spending	16.4	16.2	16.3	16.3
Interest Payments	0.7	0.8	0.9	0.9
Capital Expend.	5.9	7.9	6.9	6.9
Fiscal Balance	-3.6	-2.9	-2.0	-2.4
Primary Balance	-3.0	-2.1	-1.1	-1.5



	15 Feb.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.1	0.3	0.3	0.3
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2017, bps)	201	170	150	120

	15 Feb.	1-W %	YTD %	2-Y %
SOFIX	444	-0.8	-3.6	-22.9

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.6	2.6
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.8	1.2	1.0	1.8	1.1
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-2.4	-1.7

Fiscal consolidation resumed in FY:15, with the consolidated budget deficit moderating to 2.9% of GDP from 3.7% in FY:14 -- slightly below the EU threshold of 3.0% and its target of 3.3%. This strong performance can be attributed to an across-the-board improvement in budget revenue (up 2.3 pps of GDP in y-o-y in FY:15). Specifically, tax revenue surged in FY:15 (up 1.4 pps of GDP y-o-y), mainly due to strong base effects (recall that structural changes in the tax system in early-2014 had caused delays in tax collection) and improved tax compliance. In this context, revenue from indirect taxes rose sharply in FY:15 (by 0.8 pps of GDP y-o-y), as did revenue from social security contributions (up 0.4 pps of GDP y-o-y, also due to an increase in employment -- up by an estimated 1.7% in FY:15 -- and the hike in the minimum wage by 12% to EUR 195). Grants from the EU also rose markedly in FY:15 (by 0.7 pps of GDP y-o-y), on the back of an acceleration in the absorption of EU funds ahead of the closing of the 2007-13 programming period and base effects from delayed refunds for expenses incurred at end-2014. Finally, non-tax revenue increased in FY:15 (by 0.2 pps of GDP y-o-y), mainly due to the sale of greenhouse gas emission allowances.

On the other side of the budget, current spending was contained in FY:15 (down 0.6 pps of GDP y-o-y), largely reflecting the cut in public consumption. Note that the envisaged cost-saving measures in the FY:15 budget (including, *inter alia*, a significant reduction in the public wage bill, cuts in social spending and lower transfers to the healthcare system) were only partially carried out. At the same time, public investment surged (by 2.1 pps of GDP y-o-y in FY:15). Indeed, besides projects co-financed with the EU, the implementation of which accelerated markedly in FY:15, the Government also covered the cost of projects whose financing by the EU was interrupted as a result of irregularities in their management.

Fiscal consolidation is set to continue in FY:16, albeit due to once-off privatisation receipts. The FY:16 draft budget assumes a tighter fiscal stance with respect to the FY:15 budget performance, targeting a deficit of 2.0% of GDP. According to budget assumptions, tax revenue is projected to strengthen significantly in FY:16 (by 0.5 pps of GDP against the FY:15 outcome), mainly due to improved tax compliance. However, in the absence of additional base effects and without new measures (a hike in the excise duty on tobacco is expected to add less than 0.1 pp of GDP in tax revenue), we expect tax collection to underperform the FY:16 budget target (by 0.3 pps of GDP). Note that the budget is set to benefit from the (once-off) proceeds from the concession of the Sofia airport this year (projected at 0.7% of GDP).

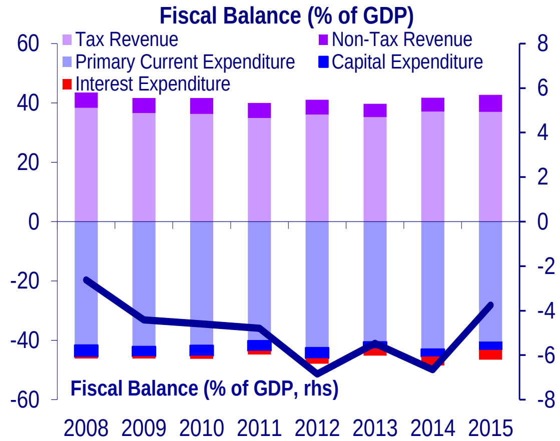
On the other hand, the FY:16 budget envisages current spending to remain broadly flat compared with the FY:15 outcome. Indeed, higher public consumption will be offset by a cut in subsidies. At the same time, despite the hike in the minimum wage (by 10.5% to EUR 215 in January) and pensions (by 2.5% in July), social spending should remain broadly contained, in view of tighter means testing. Overall, we are comfortable with the FY:16 current spending target; we recognize, however, that the rising financing needs of the healthcare system could add pressure to the budget.

All said, under no policy change, we project the FY:16 budget deficit to exceed its target of 2.0% of GDP, reaching 2.4% against the FY:15 outcome of 2.9%. The envisaged shortfall in budget revenue could be offset by the under-execution of the FY:16 public investment programme. In fact, the latter appears optimistic, in view of the much lower absorption of EU funds this year. As a result, and excluding privatisation receipts, the budget is expansionary, providing a small fiscal impulse of 0.2 pps of GDP.

Serbia

BB- / B1 / B+ (S&P / Moody's / Fitch)

Consolidated Fiscal Balance (% of GDP)	2014	2015	2016 Budget	2016 NBGF
Revenue	41.6	42.8	41.6	41.6
Tax Revenue	37.1	36.9	36.9	36.9
PIT	3.8	3.7	3.6	3.6
CIT	1.9	1.6	1.6	1.6
VAT	10.6	10.5	10.4	10.4
Excises	5.5	5.9	6.1	6.0
Customs	0.8	0.8	0.8	0.9
Other taxes	1.5	1.6	1.6	1.7
Soc. Contrib.	13.1	12.8	12.6	12.6
Non-Tax Rev.	4.5	5.7	4.5	4.4
Grants	0.2	0.2	0.3	0.2
Expenditure	48.4	46.5	45.6	45.6
Current Exp.	43.8	42.8	41.9	41.9
Personnel	11.8	10.6	10.5	10.1
Goods & Services	6.6	6.5	6.5	6.6
Subsidies	3.0	3.4	2.7	2.9
Social Assist.	18.0	17.9	17.4	17.5
o/w Pensions	13.1	12.4	12.4	12.4
Other	1.4	1.1	1.1	1.0
Int. Payments	3.0	3.3	3.5	3.4
Capital Exp.	2.5	2.9	2.9	2.9
Activated Guarant.	0.8	0.8	0.8	0.8
Net Lending	1.4	0.1	0.1	0.1
Fiscal Balance	-6.7	-3.7	-3.9	-3.9
Primary Balance	-3.7	-0.5	-0.5	-0.5
Fiscal Bal. excl. once-off	-6.7	-2.9	-3.9	-3.9



	15 Feb.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.2	3.4	3.6	4.0
RSD/EUR	122.7	124.1	124.6	125.0
Sov. Spread (2021, bps)	361	280	240	180

	15 Feb.	1-W %	YTD %	2-Y %
BELEX-15	583	-2.1	-7.6	3.4

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.8	2.0	2.5
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.5	-4.5	-5.0
Fiscal Bal. (% GDP)	-5.5	-6.7	-3.7	-3.9	-3.0

Impressive fiscal consolidation in FY:15. The consolidated fiscal deficit narrowed by a remarkable 3.0 pps y-o-y to (a 7-year low of) 3.7% of GDP in FY:15. More than ⅔ of this improvement was driven by a marked decline in expenditure, due to fiscal consolidation measures, while the remainder reflects (a once-off) rise in non-tax revenue.

In fact, non-tax revenue increased by 1.2 pps of GDP y-o-y in FY:15, mainly due to (unusually large) dividend and other payments by state companies (c. 0.9% of GDP in FY:15) and the sale of 4G licences. The positive overall revenue performance was, however, contained by a drop in tax revenue (by 0.2 pps of GDP y-o-y in FY:15), despite a surge in excise tax revenue. Higher excise tax revenue reflects the Government's efforts to fight tobacco smuggling.

The strong fiscal adjustment was mainly supported by the sharp decline in primary outlays (down by a sizeable 2.2 pps of GDP y-o-y in FY:15), following the adoption of a series of expenditure-saving measures (equivalent to 2.5 pps of GDP). These measures consisted of: i) a 10% cut in public sector wages exceeding RSD 25k (EUR 213) per month (saving 0.5 pps of GDP in FY:15); ii) cuts in pensions higher than RSD 25k per month by 22%-25% (affecting 40% of pensioners, saving 0.5 pps of GDP); iii) a suspension of public sector wage and pension indexation to inflation and growth since October 2014 (saving 0.2 pps of GDP); and iv) lower subsidies, net lending and amortisation of "called" guarantees of public enterprises (the latter had risen to 2.2% of GDP in FY:14 from 1.2% in FY:13). The introduction of these measures triggered a significant decline in personnel and pension expenditure (by 1.2 pps and 0.7 pps of GDP y-o-y, respectively, in FY:15), while spending on activated guarantees and net lending (largely to inefficient, loss-making state-owned companies) narrowed to 0.8% of GDP in FY:15 from 2.2% in FY:14.

Note that the drop in primary expenditure would have been even larger had the Government not repaid arrears in December. These once-offs entail the payment of: i) arrears in military pensions of 0.3 pps of GDP, following a Constitutional Court ruling; and ii) the debt of the state-owned Srbijagas to NIS for supplied gas, amounting to 0.6 pps of GDP.

The 2016 deficit target is attainable, provided that planned corrective fiscal measures are implemented fully. The 2016 Budget envisages a slight fiscal loosening, targeting a deficit of 3.9% of GDP, 0.2 pps above the FY:15 outcome.

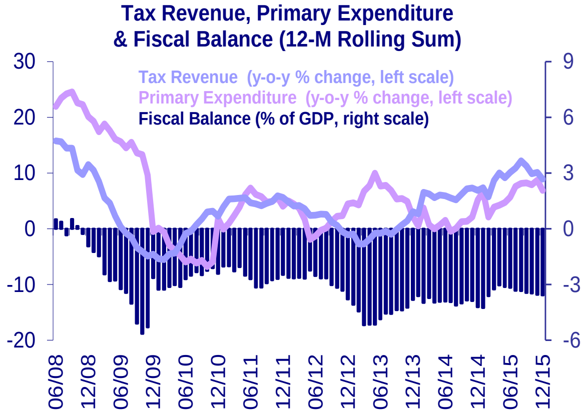
The Budget is based on realistic assumptions. The tax revenue growth target of 3.5% is broadly in line with nominal GDP growth. On the other hand, the expenditure growth target of 1.6% (equivalent to 3.5%, excluding the once-off non-recurrent expenses in FY:15) is attainable, provided that the planned expenditure-saving measures are implemented fully (entailing public sector employment downsizing and lower subsidies, saving 0.4 pps and 0.3 pps of GDP in FY:16).

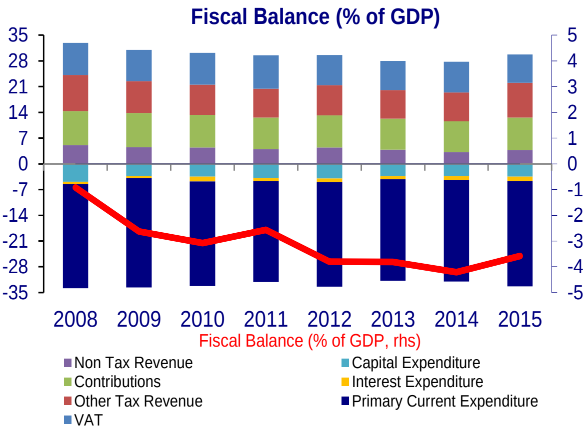
Overall, we expect the FY:16 fiscal deficit to be in line with its target of 3.9% of GDP and the public debt-to-GDP ratio to increase to a 14-year high of 79.6% at end-2016 from 77.4% in 2015, before embarking on a downward trend in 2017.

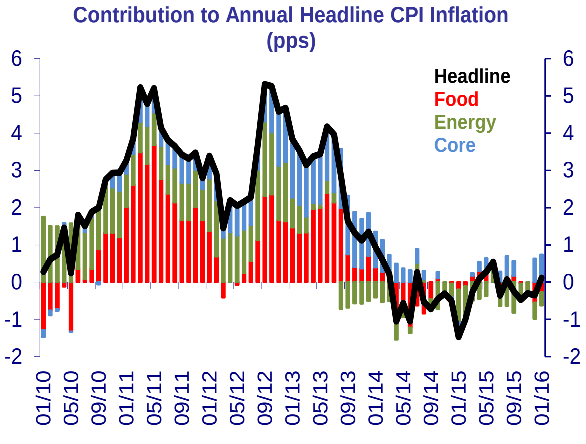
Upside risks to our fiscal deficit forecast, stemming from this election year, are minor. Specifically, early parliamentary elections are likely to be held on April 24th in conjunction with local and municipal elections. Though they could delay the implementation of the planned corrective measures, the ruling Serbian Progressive Party (SNS) is set to consolidate its power in the new Parliament and put its reform agenda back on track (including public sector rightsizing and restructuring and resolution of state-companies).

F.Y.R.O.M.

BB- / NR / BB+ (S&P / Moody's / Fitch)







	15 Feb.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.5	1.5	1.5
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	581	520	450	350

	15 Feb.	1-W %	YTD %	2-Y %
MBI 100	1.798	-0.6	-1.9	4.1

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.5	3.6	3.4
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.8	-1.3	-0.4	-1.0	-2.0
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.6	-3.2	-3.0

Fiscal consolidation resumes in 2015, for the first time since 2011. The FY:15 fiscal deficit was in line with its revised target of 3.6% of GDP and below the FY:14 outcome of 4.2%. This performance was driven by strong revenue. Indeed, tax revenue improved in FY:15 (by 1.4 pps of GDP y-o-y), due to a series of revenue-enhancing measures. Specifically: i) corporate tax revenue increased by 1.2 pps of GDP y-o-y, following the elimination of the long-standing tax exemption on reinvested profits, effective since January 1st 2015; ii) revenue from social security contributions rose by 0.4 pps of GDP y-o-y, on the back of the hike in the minimum wage by 9% (to EUR 156/month) since January 1st 2015, improved tax compliance, and a rise in employment (by 2.1% y-o-y in 9M:15); and iii) excise taxes rose in FY:15 by 0.3 pps of GDP y-o-y, due to higher cigarette production following a strategic partnership project with Philip Morris. Tax revenue would have been even stronger had VAT revenue not declined (by 0.7 pps of GDP y-o-y), reflecting strong base effects from lower refunds in FY:14. Non-tax revenue also improved in FY:15 (up 0.6 pps of GDP y-o-y), on the back of higher foreign grants and dividends from public entities.

On the other hand, non-interest expenditure increased in FY:15 (by 1.1 pp y-o-y), mainly on the back of higher spending on social transfers, goods & services and wages & allowances, ahead of the April 2016 early legislative elections.

As a result, the public debt-to-GDP ratio retreated slightly, for the first time in 7 years, to 37.7% in 2015 from 38.0% in 2014.

Meeting the 2016 Budget deficit target of 3.2% of GDP will require expenditure restraint. The 2016 Budget (expected to be announced on February 27th) targets further fiscal consolidation, projecting a fiscal deficit of 3.2% of GDP -- 0.4 pps below the FY:15 outcome. The revenue growth target of 9.7% looks overly optimistic. In the absence of new tax measures, we expect FY:16 revenue growth at 5.2% y-o-y, broadly in line with our nominal GDP growth, implying a revenue shortfall of 1.3 pps of GDP. Therefore, meeting the FY:16 fiscal deficit target will once again require significant under-execution of spending (4.4% growth against the target of 8.7%). Overall, we expect the FY:16 deficit to be in line with its target of 3.2% of GDP, implying a fiscal consolidation of 0.4 pps of GDP y-o-y.

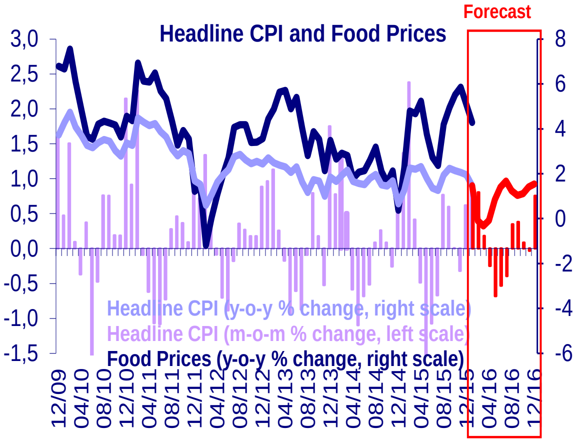
Headline inflation turned positive in January (+0.1% y-o-y), mainly due to a slower food deflation. The decline in food prices (accounting for 41% of the CPI basket) decelerated to -0.7% y-o-y in January from -1.3% y-o-y in December, mainly due to a rise in food prices, excluding volatile prices of fruit and vegetables (up 0.1% y-o-y against a decrease of 0.5% y-o-y in December). On the other hand, the pace of decline in energy prices (accounting for 15% of the CPI basket) moderated to -2.4% y-o-y in January from -3.1% y-o-y in December, in line with developments in global oil markets.

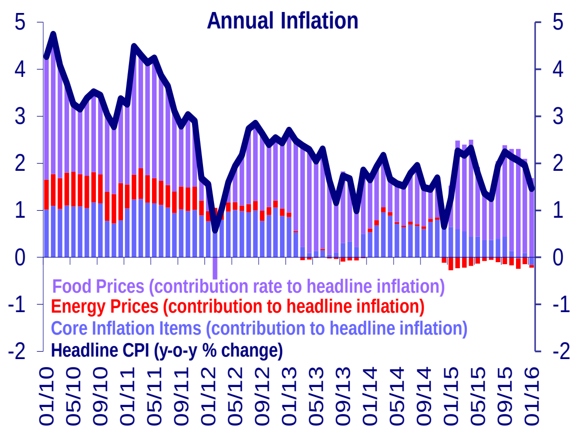
Furthermore, core inflation (excluding food and energy prices and accounting for 44% of the CPI basket) accelerated in January (to 1.7% y-o-y from 1.4% y-o-y in December), reflecting increasing demand side pressures, on the back, *inter alia*, of a 5% rise in both public sector pensions and social assistance, effective since January 1st.

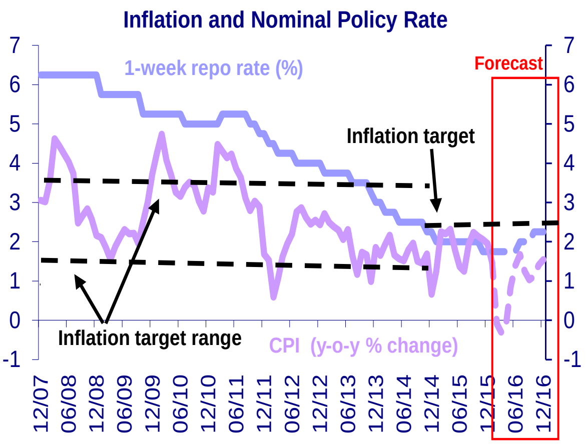
Looking ahead, inflation should continue on a mild upward trend, reflecting: i) the gradual normalization of volatile food prices; ii) a softer decline in fuel prices (we project the price of Brent to decline by 22.0%, on average, in MKD terms in FY:16 against a decline of 35.5% in FY:15); iii) the continued recovery in domestic demand; and iv) the expected 14.7% hike in the minimum wage to EUR 179 from March 1st. Overall, we see headline and core inflation ending 2016 at 0.6% and 1.9% y-o-y, respectively, up from -0.3% and 1.4% at end-2015.

Albania

B+ / B1 / NR (S&P / Moody's / Fitch)







	15 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.2	2.4	2.7	2.7
ALL/EUR	138.2	139.2	138.2	139.0
Sov. Spread (bps)	556	500	450	400

	15 Feb.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	1.1	2.0	2.7	3.2	3.6
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.8	-11.3	-10.9	-10.7
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

Headline inflation eased sharply to 1.5% y-o-y in January from 2.0% in December, due to low imported inflation. Headline inflation declined, for a fourth successive month, to a 6-month low of 1.5% y-o-y in January from 2.0% in December. It is important to note that headline inflation remains well-anchored -- far below the BoA's target of 3% for 2015 for more than four years.

The decline in January inflation was partly driven by the moderation in food prices -- comprising almost 40% of the CPI basket. In fact, vegetable prices moderated to (a still high) 19.3% y-o-y in January from 23.9% in December (contributing 1.0 pp in January headline inflation against 1.3 pps in December), reflecting a partial normalization in their prices, following a supply-side shock due to recurrent floods in 2015. Headline inflation was also held back by the drop in core inflation (that excludes food and energy, and accounts for 53.2% of the CPI basket). The latter turned negative, to a historical low of -0.5% y-o-y in January against 0.2% in December. The decline was driven by imported low inflation, the absence of demand-side inflationary pressures and spare production capacity.

Headline inflation is set to end FY:16 at 1.5% -- below the 2015 outcome and the BoA's target. Inflation is set to remain subdued in H1:16 (averaging 0.5%), due to the normalization of food prices (to 2.5% by mid-2016), before gradually embarking on an upward trend in H2:16, as domestic demand recovers. Despite the pick-up in H2:16, inflation is set to remain at low levels, ending 2016 at 1.5% -- half of the BoA's target, and 0.5 pps below the end-2015 outcome. Headline inflation should remain subdued, due to: i) the normalization in food prices; ii) imported favourable inflation combined with the absence of depreciation pressures on the domestic currency; iii) a persistent negative output gap (-0.3% in FY:16 against -0.5% in FY:15); iv) a tight fiscal policy stance; and v) a sharp decline in global oil prices (by 22.3% y-o-y, in ALL terms, in FY:16).

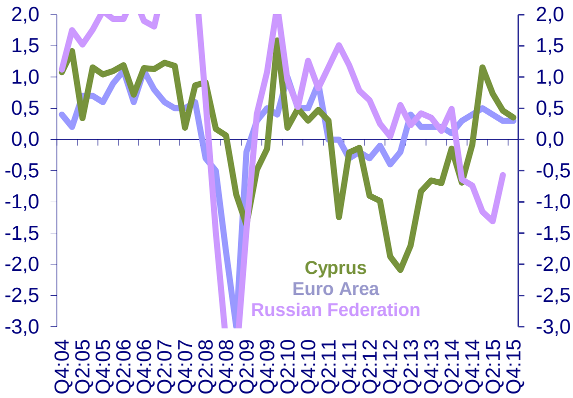
The cycle of monetary policy easing has likely come to an end. The BoA kept its key policy rate (1-week repo) unchanged at its meeting on February 3rd, for a third successive month, at a record low of 1.75%, following cumulative cuts of 50 bps in FY:15. Note that since the initiation of the cycle of monetary policy easing in September 2011, the policy rate has been cut by a sizeable 350 bps. The aggressive monetary policy easing has helped lower LC lending rates significantly (the average local currency lending rate for all maturities declined to 7.4% in November from 11.1% in September 2011). As a result, local currency lending gained momentum (up 2.6% y-o-y compared with a decline of 5.8% in foreign currency lending in November). More importantly, the monetary policy stance also helped reduce sharply the funding cost of domestic public debt. In fact, the average yield of 12-month T-bills declined to a low 1.9% in February from 7.7% in September 2011 (this decline was also reinforced, since November, by the reduction of public borrowing in domestic financial markets, due to ample liquidity provided after the Eurobond issuance).

Looking ahead, we expect the monetary policy stance to tighten in H2:16. Specifically, we foresee the BoA maintaining its key policy rate unchanged at its current level of 1.75% until June, in view of the positive inflation outlook and the investment-driven recovery in activity. Thereafter, the BoA is expected to hike gradually its key rate to 2.25% by end-2016, in an effort to: i) dampen increasing inflationary pressures from June; and ii) prevent the overheating of the economy (real GDP growth is projected to accelerate to a 6-year high of 3.2% in 2016). Should our forecasts materialise, the *ex post* policy rate would increase to 1.1% on average in 2016 (in real and compounded terms) up from 0.1% in 2015, gradually moving towards its 2004-15 average of 2.2%.

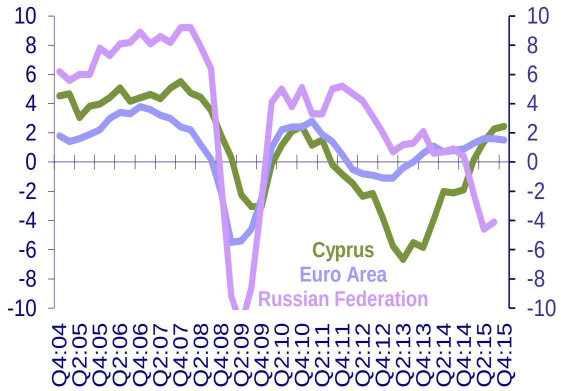
Cyprus

BB- / B1 / B+ (S&P / Moody's / Fitch)

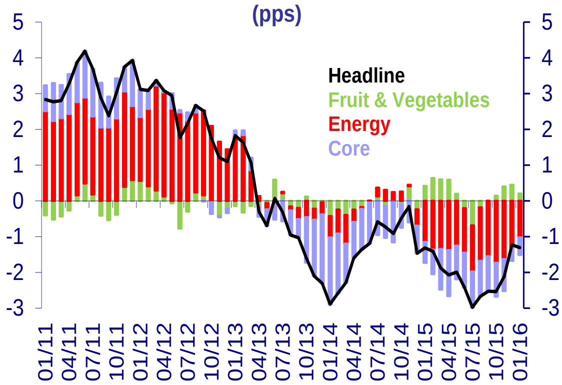
Real GDP (q-o-q % change)



Real GDP (y-o-y % change)



Contribution to Annual Headline CPI Inflation (pps)



	15 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.24	-0.24	-0.24	-0.24
EUR/USD	1.12	1.07	1.06	1.06
Sov. Spread (2020. bps)	350	300	250	200

	15 Feb.	1-W %	YTD %	2-Y %
CSE Index	64	-3.8	-5.5	-46.7

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.5	2.0	2.2
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-5.3	-4.6	-4.8
Fiscal Bal. (% GDP)	-4.7	-0.3	-0.5	-0.2	0.2

Economic growth reached a 7-year high of 2.4% y-o-y in Q4:15. Real GDP recorded positive growth for a fourth successive quarter on a sequential seasonally-adjusted basis in Q4:15 (0.4% q-o-q compared with 0.5% q-o-q in Q3:15). As a result, the annual pace of economic expansion reached a 7-year high of 2.4% y-o-y (in line with our forecast), bringing FY:15 real GDP growth to 1.6%. The FY:15 growth performance was better than the Troika's recently revised forecast of 1.4% (from -0.5% initially) and the FY:14 outcome of -2.5%.

Although a detailed breakdown will not be available until March 10th, we estimate the positive Q4:15 outcome was driven by an improvement in domestic demand. Indeed, the contribution of domestic demand to overall growth likely increased significantly in Q4:15, supported, *inter alia*, by: i) continued favourable global oil prices; ii) strengthening consumer confidence; and iii) improving labour market conditions.

Economic activity is set to accelerate to 2.0% this year -- 0.6 pps above the Troika's January forecast. This improvement should result from a continued recovery in domestic demand, on the back of: i) improving labour market conditions; ii) strengthening confidence; and iii) easing credit conditions by banks following the implementation of the insolvency and foreclosure framework. On the other hand, the drag of net exports on overall growth should increase slightly, as the negative impact from recovering domestic demand on imports will not be fully offset by the positive impact from strong tourism activity on exports. We foresee growth in tourist arrivals moderating to around 6.0% in FY:16 -- the 2nd highest growth rate since 2011 -- from 8.9% in FY:14.

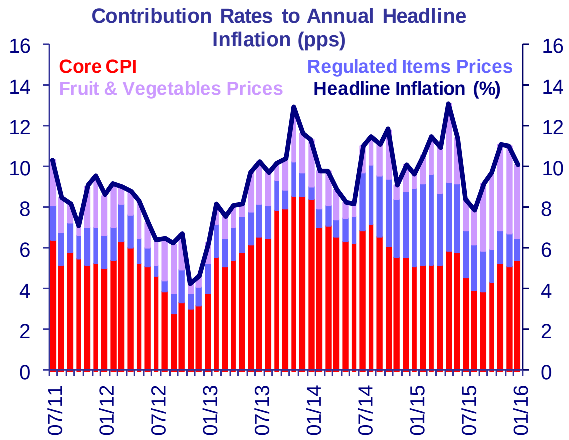
Risks to the economic outlook are broadly balanced. Indeed, stronger-than-currently-expected growth in tourist activity would boost overall economic activity. On the other hand, delays in the implementation of the financial assistance programme ahead of May 2016 legislative elections would hurt investor confidence and impede growth. Note that the 8th review of the economic adjustment programme is unlikely to be completed before the end of the programme at end-March, as opposition parties, which control the majority of seats in Parliament, strongly oppose the privatization of the two semi-government companies (Telecom-CYTA and Electricity-EAC). It is worth noting that although the disbursement of the last tranche is not needed, the country's smooth exit from its 3-year assistance programme will send a positive signal to markets, allowing for lower cost of funding.

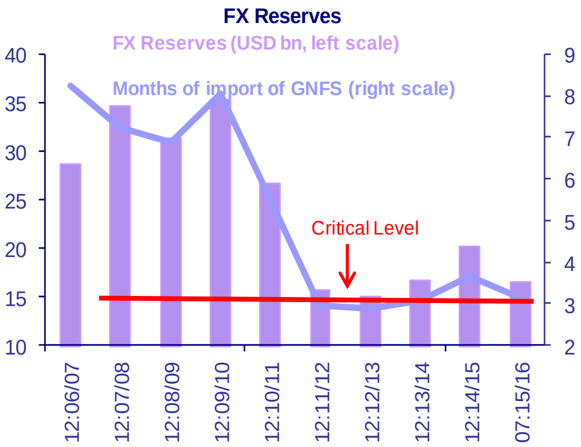
Deflation accelerated slightly to -1.3% y-o-y in January from -1.2% y-o-y in December, mainly due to a moderation in the prices of volatile fruit & vegetables. Specifically, prices of volatile fruit & vegetables (accounting for 3.5% of the CPI basket) increased by 5.9% y-o-y in January compared with a rise of 13.0% y-o-y in December, reflecting mild weather conditions. At the same time, core deflation (excluding volatile food and energy prices and accounting for 87.6% of the CPI basket) accelerated to -0.6% y-o-y in January from -0.4% y-o-y in December, reflecting exclusively a sharper decline in food prices, excluding fruit and vegetables, underpinned by low imported inflation (with imports accounting for 32% of the CPI basket). However, the positive impact from volatile prices and core inflation was largely offset by less favourable energy prices (accounting for 8.9% of the CPI basket and down 11.5% y-o-y in January against a decrease of 14.7% y-o-y in December), in line with developments in global oil markets.

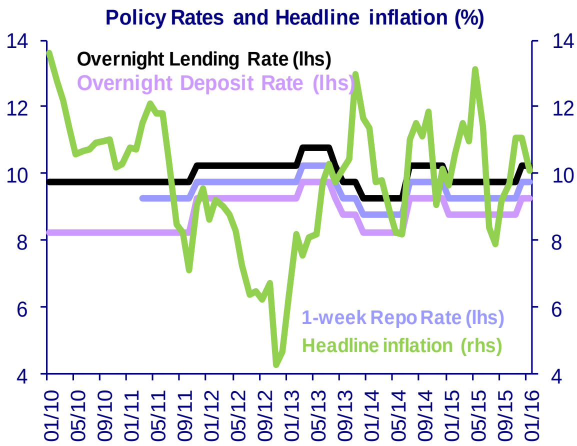
Deflation set to ease sharply by end-2016. We expect the impact from the ongoing recovery in domestic demand to be partly offset by favourable oil prices (we project the average price of Brent to decline by around 22% in FY:16). Overall, we foresee headline and core inflation ending 2015 at -0.2% and 1.0%, respectively, up from -1.2% and -0.4% at end-2015.

Egypt

B- / B3 / B (S&P / Moody's / Fitch)







	15 Feb.	3-M F	6-M F	12-M F
1-m CAIBOR (%)	9.3	8.3	8.0	8.8
EGP/USD	7.83	8.10	8.50	9.00
Sov. Spread (2020. bps)	464	400	300	220

	15 Feb.	1-W %	YTD %	2-Y %
HERMES 100	531	-4.7	-15.8	-29.7

	12/13	13/14	14/15	15/16F	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.8	4.5
Inflation (eop. %)	9.8	8.2	11.4	12.5	10.5
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-5.0	-3.5
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

Headline inflation eased to 10.1% in January. Annual headline inflation moderated to 10.1% y-o-y in January from 11.1% in December, as a deceleration in volatile prices of fruit & vegetables and regulated prices (up 34.5% y-o-y and 5.6% y-o-y, respectively, against 42.4% and 8.3% in December) more than compensated for higher core inflation (up 7.7% y-o-y against 7.2% in December).

The favourable regulated prices in January reflect base effects from the increase in the prices of butane cylinders, due to supply bottlenecks in the distribution channels and, to a lesser extent, an adjustment in the prices of the water supply in January 2015. On the other hand, the negative development in core inflation was mainly driven by exacerbating supply shortages. Indeed, facing an acute USD shortage, the Central Bank of Egypt (CBE) imposed stricter rules on financing imports in early-January (prioritising the import of basic goods), aimed at reducing the country's import bill by 25% y-o-y to USD 60bn in 2016.

Headline inflation to end the fiscal year (June 2016) at 12.5% y-o-y. Looking ahead, despite a gradual normalization in prices of fruit & vegetables, we expect inflation to embark on an upward trend in the coming months, as the Government, with the support of new Parliament, is set to implement a series of delayed reforms in view of securing the financing of the country's large external gap (estimated by the Fund at USD 20.0bn between July 2015 and June 2017). Indeed, in view of: i) the sharp decline in FX reserves by USD 3.7bn (down 0.6 month of imports of GNFS) to USD 16.4bn (3.1 months of imports) in the first seven months of the current fiscal year (July 2015-January 2016); and ii) the absence of support from Gulf countries in the context of plunging revenue from oil exports, the only plausible option for the authorities is to secure an IMF loan, and subsequently the country's return to international capital markets. However, the signing of a deal with the IMF requires the implementation of a series of recommendations, suggested by a Fund delegation at the end of a recent visit to Cairo. These comprise:

i) the replacement of the current complex sales taxes by the VAT, initially set to take place in July 2014. We expect this measure to become effective in March and add 1.3 pps to headline inflation.

ii) a gradual move towards a more flexible exchange rate policy, focused on achieving a market-clearing rate. Note that the EGP currently trades at 7.83 and 8.70 per USD, respectively, in the official and the parallel markets (a premium of 11.2%).

iii) additional cuts in energy subsidies through higher prices. Such a move is more likely to be postponed to the next fiscal year, in view of the anticipated decline in global oil and gas prices, which will, *per se*, reduce significantly energy subsidies, and the authorities' efforts to contain popular discontent. Note that in addition to the government's rise of domestic fuel prices by up to 78% in early-2014/15, the sharper-than-projected drop in global fuel prices contributed 40% to the impressive fall in fuel subsidies in FY:14/15 (down 50.0% y-o-y to EGP 73.9bn).

Overall, we foresee headline inflation reaching an 8-year high of 12.5% y-o-y at the end of the current fiscal year (June 2016) -- well above the end-2014/15 outcome of 11.4%. Core inflation should end 2015/16 at 9.5% y-o-y against the end-2014/15 outcome of 8.1%.

The signing of an agreement with the Fund will strengthen the CBE's hand to proceed with sharp rate hikes by the end of this fiscal year (June 2016). In the event that the authorities seal a deal with the IMF -- likely in Q4:15/16 (April-June) -- we expect the CBE to proceed with aggressive hikes of its policy rates.

FOREIGN EXCHANGE MARKETS, FEBRUARY 15TH 2016

Against EUR

	Currency	2016 SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	2015 % change*	2014 % change*
Albania	ALL	138.2	0.1	0.7	-0.8	1.4	137.5	139.5	138.8	138.7	138.1	0.1	2.0
Brazil	BRL	4.47	-2.4	-1.1	-3.7	-27.8	4.28	4.55	5.11	5.11	5.12	1.0	-25.2
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.24	1.5	-0.8	-2.8	-1.7	6.99	7.46	7.48	7.48	7.48	10.8	6.7
Egypt	EGP	8.71	-0.6	-2.6	-2.6	-1.3	8.26	9.09	9.54	- - -	- - -	10.6	2.1
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	75.9	0.1	-2.6	-5.4	-6.7	71.3	77.8	82.1	- - -	- - -	12.3	6.6
Romania	RON	4.46	0.3	1.7	1.3	-0.4	4.46	4.56	4.47	4.46	4.48	-0.5	-0.8
Russia	RUB	85.8	2.0	-1.3	-7.7	-16.2	78.1	93.8	88.1	90.5	95.3	-32.8	-15.1
Serbia	RSD	122.7	-0.3	0.2	-1.0	-1.3	121.6	123.4	123.5	124.2	- - -	-5.6	-0.1
S. Africa	ZAR	17.5	3.1	4.5	-4.3	-24.2	16.72	18.58	17.9	18.2	19.1	3.0	-16.6
Turkey	YTL	3.29	0.3	1.2	-3.6	-14.8	3.17	3.35	3.38	3.47	3.67	4.4	-10.8
Ukraine	UAH	28.6	1.1	-7.7	-9.0	2.4	25.06	29.36	35.5	- - -	- - -	-40.8	-27.5
US	USD	1.12	0.4	-2.1	-2.6	2.1	1.1	1.1	1.12	1.12	1.13	13.6	11.4
JAPAN	JPY	127.8	1.4	-0.1	2.1	5.8	125.8	132.3	127.8	127.8	127.7	-0.1	11.0
UK	GBP	0.77	0.4	-0.9	-4.7	-4.3	0.7	0.8	0.77	0.78	0.78	7.0	5.3

* Appreciation (+) / Depreciation (-)

** Forward rates have been calculated using the uncovered interest rate parity for Brazil, China, Egypt, India and Ukraine

MONEY MARKETS, FEBRUARY 15TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EA	US
O/N	1.9	14.1	0.0	2.0	- - -	8.9	- - -	- - -	0.4	11.8	- - -	11.3	7.3	19.4	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	10.8	2.9	- - -	7.3	- - -	- - -	- - -
S/W	1.9	14.1	0.0	2.3	-0.3	9.1	1.2	- - -	- - -	10.8	2.9	- - -	7.4	20.7	-0.3	0.4
1-Month	2.2	14.2	0.1	3.0	-0.2	9.3	1.5	7.3	0.5	12.3	3.1	11.9	7.3	22.7	-0.2	0.4
2-Month	- - -	14.2	0.1	- - -	-0.2	- - -	- - -	- - -	- - -	12.1	3.2	11.9	7.6	- - -	-0.2	0.5
3-Month	2.3	14.2	0.2	3.0	-0.2	9.3	1.8	8.1	0.8	12.0	3.3	12.0	8.2	23.7	-0.2	0.6
6-Month	2.5	14.3	0.5	3.1	-0.1	- - -	2.1	- - -	1.0	12.2	3.5	12.0	8.2	- - -	-0.1	0.9
1-Year	2.7	14.5	0.9	3.3	0.0	- - -	2.6	- - -	1.2	12.0	- - -	12.1	8.9	- - -	0.0	1.1

LOCAL DEBT MARKETS, FEBRUARY 15TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	2.6	- - -	- - -	- - -	- - -	11.3	- - -	7.3	- - -	12.0	3.5	9.7	- - -	- - -	-0.4	0.3
6-Month	2.1	- - -	- - -	- - -	- - -	11.8	2.1	7.3	0.5	12.1	3.9	10.0	- - -	- - -	-0.4	0.4
12-Month	2.2	- - -	0.1	2.3	- - -	12.0	2.5	7.3	0.7	10.2	4.4	11.0	- - -	7.0	-0.5	0.5
2-Year	4.4	- - -	- - -	2.5	- - -	- - -	2.0	7.4	1.0	10.3	- - -	10.9	8.0	- - -	-0.5	0.7
3-Year	- - -	- - -	0.5	2.6	- - -	- - -	2.7	7.5	1.2	10.4	- - -	10.8	8.4	- - -	-0.5	0.8
5-Year	- - -	15.8	- - -	2.7	- - -	13.6	2.7	7.7	2.2	10.3	6.3	10.7	8.6	- - -	-0.3	1.2
7-Year	- - -	- - -	1.7	- - -	3.6	14.9	- - -	8.0	2.5	10.3	- - -	- - -	- - -	- - -	-0.2	1.5
10-Year	- - -	16.0	2.6	2.9	- - -	15.8	3.8	7.8	3.3	10.3	- - -	10.5	9.2	- - -	0.2	1.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.0	8.2	- - -	10.1	- - -	- - -	9.6	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.3	- - -	- - -	- - -	- - -	9.9	- - -	0.9	2.6

*For Albania, FYROM and Ukraine primary market yields are reported

SOVEREIGN EUROBOND SUMMARY, FEBRUARY 15TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B/B1	12/11/2020	450	4.9	556	491
Brazil 12.75% '20	USD	BB+/Baa3	15/1/2020	234	5.6	475	527
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	6.1	490	477
Brazil 8.75% '25	USD	BB+/Baa3	4/2/2025	969	7.1	537	588
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	1.1	154	120
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.8	201	156
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.5	238	204
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.9	265	210
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	4.0	317	264
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.7	196	238
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	166	213
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.7	318	290
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.1	350	318
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.6	385	337
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.1	388	350
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.8	464	475
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.4	669	608
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	9.0	636	581
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	5.0	564	485
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.0	581	581
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.7	112	83
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	119	96
Romania 4,375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	190	207
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	224	186
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	222	310
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.6	270	269
Russia 5% '20	USD	BB+/Ba1	29/4/2020	3,500	4.0	282	303
Russia 4.5% '22	USD	BB+/Ba1	4/4/2022	2,000	4.4	286	308
Russia 4.875% '23	USD	BB+/Ba1	16/9/2023	3,000	4.6	306	316
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	6.0	428	578
Russia 5.625% '42	USD	BB+/Ba1	4/4/2042	3,000	6.1	352	383
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	6.2	361	396
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.4	315	335
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	352	373
Serbia 5% '24	USD	BB-/NA	11/4/2024	125	3.8	384	348
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	4.0	314	325
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.3	354	377
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.0	340	399
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.8	230	209
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	4.2	296	330
Turkey 6.25% '22	USD	NR/Baa3	26/9/2022	2,500	4.8	326	358
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.3	350	309
Turkey 5.75% '24	USD	NA/Baa3	22/3/2024	2,500	4.9	336	347
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	5.1	331	385
Turkey 4.25% '26	USD	NA/Baa3	14/4/2026	1,500	5.0	331	326
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.3	357	488
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.8	406	443
Turkey 6.875% '36	USD	NR/Baa3	17/3/2036	2,750	5.9	331	417
Turkey 7.25% '38	USD	NR/Baa3	5/3/2038	1,000	5.9	332	429
Turkey 6.75% '40	USD	NR/Baa3	30/5/2040	2,000	5.9	334	413
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.9	331	385
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	10.7	985	913
Ukraine 7.75% '20	USD	B-/Caa3	1/9/2020	1,531	10.4	925	870
Ukraine 7.75% '21	USD	B-/Caa3	1/9/2021	1,378	10.2	905	836
Ukraine 7.75% '22	USD	B-/Caa3	1/9/2022	1,355	10.2	867	813
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	10.1	861	793

Corporate Bonds Summary, February 15th 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	Bulgaria Energy Hld 4.25% '18	EUR	NA/NA	7/11/2018	500	6.5	698	630
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	8.0	849	773
Cyprus	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	3.5	380	326
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	11.6	151	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.4	123	- - -
South Africa	FirstRand Bank Ltd 4.375% '16	USD	BBB-/Baa2	9/6/2016	342	4.2	396	363
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.1	149	112
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	3.3	379	340
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.1	360	321
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.1	437	391
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.3	450	483

Credit Default Swap Spreads, February 15th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	482	173	139	322	484	- - -	- - -	129	343	287	306	350	- - -
10-Year	- - -	551	220	183	352	496	- - -	- - -	173	393	327	357	404	- - -

Stock Markets Performance, February 15th 2016

	2016								2015		2014	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	40,093	-1.2	4.0	-7.5	-20.8	37,046	43,349	-10.4	-2.9	-2.0	-13.3	-35.3
Bulgaria (SOFIX)	444	-0.8	-1.3	-3.6	-10.6	441	462	-3.6	6.2	6.2	-11.7	-11.7
China (SHCOMP)	2,746	-0.6	-5.3	-23.1	-14.3	2,638	3,539	-24.7	52.9	69.5	9.4	16.5
Cyprus (CSE GI)	64	-3.8	-3.4	-5.5	-16.0	64	68	-5.5	-17.0	-17.0	-20.9	-20.9
Egypt (HERMES)	531	-4.7	-0.1	-15.8	-41.2	521	636	-15.8	23.5	36.6	-24.4	-25.7
F.Y.R.O.M (MBI)	1,798	-0.6	-1.2	-1.9	-2.0	1,776	1,842	-1.9	6.1	6.1	-0.6	-0.6
India (SENSEX)	23,554	-3.0	-3.7	-9.3	-19.0	22,600	30,025	-13.3	29.9	44.7	-5.0	0.7
Romania (BET-BK)	1,196	-2.0	-2.8	-10.8	-12.5	1,171	1,329	-9.5	3.7	3.5	2.6	1.6
Russia (RTS)	3,803	-1.3	6.3	-4.0	-6.6	3,509	3,982	-10.4	-6.9	-37.4	30.3	9.5
Serbia (BELEX-15)	583	-2.1	-3.0	-7.6	-12.4	570	637	-8.4	19.5	12.8	-3.4	-3.5
South Africa (FTSE/JTS)	49,852	0.9	6.2	-1.9	-5.9	45,976	50,694	-4.9	7.6	10.9	1.9	-15.1
Turkey (ISE 100)	71,008	-1.4	-0.1	-3.0	-17.2	68,230	74,767	-5.8	26.4	32.0	-16.3	-25.4
Ukraine (PFTS)	238	0.7	-1.3	-0.9	-44.9	236	246	-9.5	28.7	-24.2	-37.8	-54.8
MSCI EMF	727	-1.0	2.5	-8.2	-26.3	687	794	-10.0	-4.6	8.2	-17.0	-7.5
MSCI EAFE	1,539	0.0	-1.7	-10.9	-16.3	1,492	1,716	-12.7	-7.3	5.8	-3.3	7.7
Greece (ASE-General)	488	5.1	-12.6	-20.1	-45.4	421	627	-20.1	-28.9	-28.9	-23.6	-23.6
Germany (XETRA DAX)	9,207	2.5	-3.5	-14.3	-16.0	8,699	10,486	-14.3	2.7	2.7	-4.9	-4.9
UK (FTSE-100)	5,824	2.4	0.3	-7.2	-15.3	5,500	6,242	-11.4	-2.7	4.1	-4.9	0.1
Japan (NIKKEI-225)	16,023	-5.8	-6.6	-15.8	-10.6	14,866	18,951	-13.2	7.1	7.0	9.1	20.2
USA (DJ INDUSTRIALS)	15,974	-0.3	-0.1	-9.3	-11.4	15,370	18,351	-11.9	7.5	22.2	-2.2	9.3
USA (NASDAQ 100)	1,865	0.6	-0.8	-9.6	-11.1	1,810	2,135	-12.3	11.4	26.6	-0.7	10.9